



LIVING INCOME CAMPAIGNER BRIEFING

**DON'T FEED EXPLOITATION.
CHOOSE FAIRTRADE.**



FAIRTRADE



LIVING INCOME: A HUMAN RIGHT

Understanding of, and support for, a living wage is spreading rapidly in the UK. It is being implemented by employers who want to show that they are paying their staff fairly.

The terms living income and living wage may be relatively new, but the idea behind them is not. Seventy years ago, the Universal Declaration of Human Rights set out many basic

rights that everyone, everywhere should be able to enjoy to lead a dignified life.

The Declaration covered education, freedom of opinion and expression, the right to a nationality and many other things we take for granted. Many gradually made it into the law too, in some countries at least.

“EVERYONE WHO WORKS HAS THE RIGHT TO JUST AND FAVOURABLE REMUNERATION ENSURING FOR HIMSELF AND HIS FAMILY AN EXISTENCE WORTHY OF HUMAN DIGNITY, AND SUPPLEMENTED, IF NECESSARY, BY OTHER MEANS OF SOCIAL PROTECTION.”

Article 23 (c) Universal Declaration of Human Rights, December 1948

WHAT IS A LIVING INCOME?

A living wage is a salary paid by an employer to a worker that covers a basic standard of living. A living income is the same idea, but applies to people – like smallholder cocoa farmers – who don’t earn a salary from an employer,

but undertake activities like farming to sell their produce to earn a livelihood. It is calculated as the net annual income needed to afford a decent standard of living for all members of that household to:



CRISIS IN COCOA

Farmers of many crops live under the poverty line, and aren't able to earn a living income. As we start our new campaign for living incomes, there are numerous reasons why we're focusing on cocoa as an example of the gap between actual and living incomes for farmers.

There's a high concentration of cocoa production in two countries: Ghana and Côte d'Ivoire. Together, they account

for over 60 percent of world production between them, and rely a lot as nations on the income. High levels of poverty affect small-scale farmers and their families in these countries, preventing them from accessing basic human rights. Fairtrade is playing a leading role in calculating what living income should be for farmers of various crops and putting in place strategies to close the gap. The most progress has been made in cocoa.



“COCOA PRICES ARE DISASTROUS. WHEN A FARMER GETS UP IN THE MORNING, HE IS ALWAYS WORRIED: HOW WILL HE BE ABLE TO FEED AND TAKE CARE OF HIS FAMILY? HOW CAN HE SEND HIS CHILDREN TO SCHOOL?”

Ebrottie Tanoh Florentin,
cocoa farmer, Côte d'Ivoire

OVER **60%** OF
THE WORLD'S COCOA
IS GROWN
IN GHANA
AND CÔTE
D'IVOIRE



\$2.50 A DAY WOULD
PROVIDE A LIVING INCOME
FOR A TYPICAL COCOA
FARMER IN CÔTE D'IVOIRE



THE UK CHOCOLATE
INDUSTRY IS WORTH
£4 BILLION
EACH YEAR



LESS THAN **\$1**
A DAY IS THE CURRENT
INCOME OF A TYPICAL
COCOA FARMER IN
CÔTE D'IVOIRE



PRICE CRASH

In Ghana and Côte d'Ivoire, the price a farmer receives per kilo of cocoa produced is set by the government, but follows from the world market price set in New York and London.

The world market price for cocoa crashed in 2016, pushing many farmers deeper into poverty, and creating an even more urgent situation for millions of families relying on cocoa production.





FAIRTRADE: A SAFETY NET

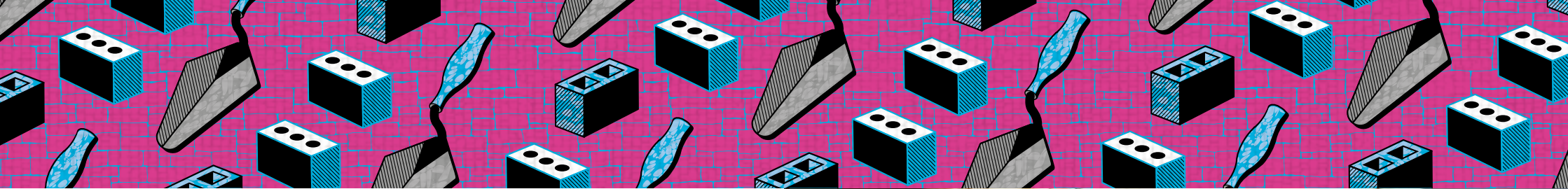
Fairtrade can help protect farmers from market volatility and extreme poverty prices through the safety net of the Fairtrade Minimum Price, and the Fairtrade Premium money that goes directly to the farmers' co-operatives and their communities.

When selling on Fairtrade terms, farmers will receive the market price and Premium of \$200 a tonne on top, increasing to \$240 a tonne from October 2019 due to the Fairtrade Price review. This is an amount unmatched by other certification labels, many of whom have historically not required the payment of a premium to farmer organisations at all. Meanwhile, the Minimum Price will be increasing from \$2,000 to \$2,400 a tonne, meaning a better deal for cocoa farmers.

The Fairtrade Premium is typically spent in strengthening co-operatives to be able to support and train their members and sell their cocoa. It's also used for much-needed investment in the community – for example to provide education, clean water, healthcare and housing. It is also used to strategically invest in farm inputs like fertiliser, to reduce costs of production for farmers, and on income diversification projects, so that farmers aren't so reliant on cocoa.

However, only a fraction of cocoa leaving West Africa is currently certified as Fairtrade, so there's a huge amount we can achieve by increasing sales of Fairtrade cocoa.





A HOLISTIC APPROACH IS NEEDED

Although an essential first step, just increasing Fairtrade sales won't achieve living incomes for all farmers. The price cocoa farmers receive is too low to allow them to access their fundamental human rights, and it must increase for any notion of sustainability in cocoa to be achieved. But just increasing prices doesn't do enough to reach the farmers most in need, or to close the large gap between current and living incomes.

There are other factors which limit a farmer's ability to achieve a living income. These are usually having a small farm size, a lack of access to training and funds to invest in farm

improvements, and having many household members to support. And that is before we even consider the impact of a changing climate, which is reducing production levels for farmers whether certified or not.

Income diversification is a critical step in working towards living incomes too, so that farming households are less reliant on the volatile and unfair cocoa market.

Building on the achievements of Fairtrade certification, we need to encourage others to do more to change the cocoa sector...

“THE MINIMUM PRICE IS ONE OF THE ADVANTAGES OF THE FAIRTRADE LABEL COMPARED TO OTHER LABELS... WHEN THE MARKET PRICE FALLS, WE AUTOMATICALLY USE THE MINIMUM PRICE. THIS ALLOWS THE PRODUCERS TO KEEP FARMING AND EVEN TO IMPROVE THE PRODUCTION.”

Ebrottie Tanoh Florentin,
cocoa farmer, Côte d'Ivoire



SHE DESERVES A LIVING INCOME

A part of the solution is to look at the special role women can play in achieving living incomes for cocoa farming households.

It's harder for cocoa-farming households headed by women, who typically receive less income than equivalent households headed by men. Yet we know from years of studies that directing more independent income into the hands of women accelerates the rate of development for the whole community.

Rosine Bekoin is a mum of five, and a member of CAYAT co-operative in Côte d'Ivoire. She used to sell her cocoa to local middlemen, but heard about Fairtrade at a meeting in her village, and thought it could be a

way to become more independent. She first sold her cocoa as Fairtrade in 2016. Having received training in quality and good agricultural practices from her co-operative, her production increased by 50 percent in one year, boosting her income.

Rosine is also the secretary of the women's society of her co-operative. Rosine and 400 other women in the group have invested Fairtrade Premium in a variety of income diversification projects, mainly growing other food crops, including cassava and peppers, and raising chickens. This provides an independent income that supplements the income from cocoa so they can meet important costs they face all year round, like paying for school.



“FAIRTRADE PREMIUM ENCOURAGES US, AS WOMEN COCOA FARMERS, TO BE ABLE TO ACHIEVE CERTAIN THINGS. WE KNOW THAT WITH FAIRTRADE THERE IS A PREMIUM WAITING FOR US, AND FOR EACH WOMAN, YOU CAN DO WHAT IS IN YOUR HEART.”

Rosine Bekoin, cocoa farmer, Côte d'Ivoire

That's not all – CAYAT have built school classrooms to allow children to get an education, who otherwise would have to join their mothers at work during the day. They have also built a hardware store to provide affordable building supplies and much more. You can read more about CAYAT, and farmers like Rosine, at fairtrade.org.uk/fortnight

THE VALUE CHAIN

Fairtrade certification is changing to boost farmer incomes even more, but it's not the whole solution. Our research into what has been achieved through Fairtrade reveals some of the changes we need to

bring about in the cocoa sector outside of certification. Only working together, with governments, chocolate companies and retailers all making the commitments and policies necessary, can we make it happen.

PRODUCER ORGANISATIONS

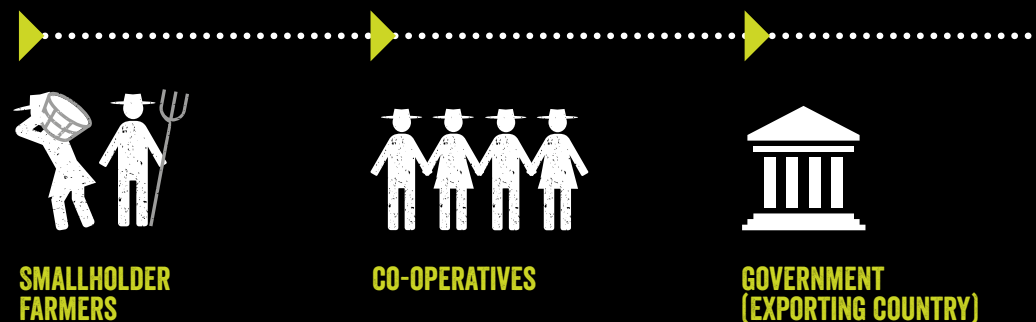
Producer organisations are incredibly important in advancing the interests of smallholder cocoa farmers. By uniting individual farmers in co-operatives, they are in a stronger position to access markets, training and support needed to improve incomes. When producer

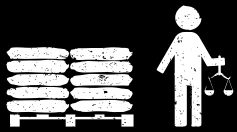
organisations are able to sell enough on Fairtrade terms, it can be transformative for their members. Each Fairtrade purchase strengthens producer organisations, but further support and funding can be targeted to increase their capacities too.

GOVERNMENT (PRODUCER/EXPORTER)

Producer country governments have a strong role to play, especially in Côte d'Ivoire and Ghana, where the governments set the price cocoa farmers receive. Cocoa is a really important part of national export earnings, and there are many

competing priorities for investment in their countries. A higher cocoa price is critical to allow them to set higher prices paid to farmers, and provide the much-needed investment in social and economic development.





TRADER/GRINDER



MANUFACTURER



RETAIL

COMPANIES

The cocoa industry is characterised by a relatively small number of huge global companies which produce chocolate and other products. There's a high degree of consensus that current farmer livelihoods are unsustainable, however, given the tough market and economic conditions of increasing costs and consumer push for value, many find it difficult to voluntarily increase the price they pay for cocoa versus their competitors, especially when the world market price plummets.

Combined, the biggest chocolate manufacturers and traders have pledged billions of dollars to sustainability initiatives over the past decade. Some have committed to sourcing 100 percent sustainable cocoa. Others implement projects with farmers to boost yields and productivity.

The experience of the past few years shows that despite intention and investment, a change of focus is needed – one that puts achieving living incomes at the heart of all initiatives, far beyond just increasing productivity, and maintaining security of cocoa supply.

Only with living incomes being paid to farmers can any cocoa be considered sustainable.

Fairtrade is looking to work with a few companies that are showing ambition to pilot additional targeted ways to ensure cocoa farmers reach a living income – to set examples that can be replicated by the industry at large.

Recommendation of the World Cocoa Forum (WCF),
based on the feedback of 1,500 delegates, Berlin, April 2018

“WE AFFIRM THAT THE COCOA SECTOR WILL NOT BE SUSTAINABLE IF FARMERS ARE NOT ABLE TO EARN A LIVING INCOME... ALL STAKEHOLDERS SHOULD DEVELOP AND IMPLEMENT POLICIES THAT ENABLE COCOA FARMERS TO MAKE A LIVING INCOME.”

TRADERS

A small number of cocoa traders have significant influence within the cocoa market, which means cocoa farmers have very few options for who to sell their cocoa to. Eight traders and grinders control approximately 75

percent of the worldwide cocoa trade. We would like to encourage traders to engage in conversations and align with progressive companies also engaged in working towards living incomes.



The lack of transparency and complexity in supply chains makes it notoriously difficult to know the costs of processing cocoa, manufacturing chocolate and retailing. However, during the price crash of 2016-17, as the incomes of many cocoa farmers tumbled, a similar pattern wasn't observed in the profits of other major players in the supply chain. Therefore cocoa farmers seem to bear the risk of a volatile market, despite being the least equipped to deal with the effects.



GOVERNMENTS IN CHOCOLATE IMPORTING COUNTRIES

Whatever happens with Brexit, it's crucial the UK plays a positive role in the international community and plays its part in supporting the world's poorest people to escape poverty. We're a nation of chocolate lovers, and we'd like the UK government to help ensure cocoa farmers get a living income for their cocoa.

That's why we're asking you to help rally people to sign our petition to the Prime Minister, to make sure our trade with developing countries puts poverty reduction first, delivering living incomes for all, especially women.

We want the UK government to support our commitment to a living income and ensure it:

- **Leads the way:** Support a global initiative of governments and business to reach living incomes in supply chains, starting with cocoa. *Promising initiatives are being developed by the Belgian and German governments that the UK could get involved with.*
- **Makes living incomes a priority for UK aid:** Support programmes and businesses that take living income seriously. *We'd like to see the Department for International Development support farmers in West Africa to invest in their farms and improve their farming techniques.*
- **Incorporates living income into the government's Business and Human Rights policies:** Recognise that fair prices are central to delivering human rights in supply chains.



WHAT CAN I DO?

CONSUMER



► BUY FAIRTRADE

...and encourage others to do the same.

You're not only ensuring a better deal for farmers, you're showing there is demand for chocolate made by companies doing business differently.

► BE POLITICAL

Sign our petition in 2019, and keep Fairtrade on the agenda with your MP.

Our living income petition launched in Fairtrade Fortnight 2019 sets out some of the ways we'd like to see the UK government incentivise better prices paid to farmers.

► MAKE A NOISE

Talk about cocoa farmers. To create the change needed, chocolate companies need to see that their customers care about cocoa farmers, and feel poverty prices are unacceptable.

Help us build the movement by talking, sharing and encouraging others to join us too. Supporting local Fairtrade events and talking about Fairtrade on social media keeps it on the agenda.

► STAY IN TOUCH

This isn't something we will be able to achieve in one Fairtrade Fortnight or with one petition. Look out for more news and ways you can support the campaign in the coming years. Sign up for campaign news, and find out more information at [fairtrade.org.uk](https://www.fairtrade.org.uk)

fairtrade.org.uk

Fairtrade Foundation

**5.7 The Loom
14 Gower's Walk
London E1 8PY**

Tel: +44 (0)20 7405 5942

Email: mail@fairtrade.org.uk

Registered charity no. 1043886

A company limited by guarantee,
registered in England and Wales no. 2733136

This briefing was published in December 2018.
Farmer income statistics were calculated based
on the daily income needed per member of a
typical cocoa farming household, from the best
available research at the time of printing.

Photography credits: Peter Caton
Front cover image: Salimata Diakite,
cocoa farmer and member of SCAANIAS
co-operative, Côte d'Ivoire



This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the Fairtrade Foundation and do not necessarily reflect the views of the European Union.

